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SUBJECT: GOVERNMENT PROGRAMS TO HARNESS REMITTANCESS HAVING MIXED
RESULTS IN RURAL JALISCO

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Summary

¶1. In the last seven years the GOM has attempted to harness the power of the billions of dollars remitted from migrants in the U.S. via socioeconomic development programs. Two specific programs are Tres Por Uno (Three for One) and Proyectos Productivos (Productive Projects), formed by migrant clubs in the U.S. For every peso remitted, the federal, state and local governments each add an additional peso, turning one peso in Los Angeles into four pesos on the ground in Mexico. In rural Jalisco state the programs have seen both success and failure. Tres Por Uno, which focuses on funding infrastructure, appears to have less impact on the root cause of migration-lack of economic opportunity. The newer Proyectos Productivos appears to have potential to generate economic opportunity for those most apt to migrate north. The programs also have ancillary economic results, as businesses sprout up to support phases of the projects. While the programs are intended to better the lives of Mexicans, they appear to have little effect on the flood of migrants rushing north.

Migrants go north, cash goes south

¶2. Mexico received an estimated \$23 billion in remittances in 2006. That's a 15% increase from 2005, making remittances Mexico's second largest source of external finance behind petroleum. Approximately 1.7 million Mexicans with Jalisco roots live in the US. In turn rural Jalisco is particularly affected by the flow of migrants north and the flow of cash south. (reftel)

Tres Por Uno

¶3. The Tres Por Uno program began in Jalisco in 2001 as a way of capturing remittances for infrastructure projects in rural Jalisco. The program depends on migrant clubs in the U.S. to collect funds. The program was established in the late 1990's in Zacatecas, one of the highest migrant-sending states in the country. The program is named "three for one" because for every peso from a migrant club, the federal, state and municipal governments each contribute one peso. The GOM uses the money for infrastructure projects such as an events center in Tonalá, road improvements in Tala and water purification in the highlands. Decisions as to what programs are to be funded are made by a committee composed of representatives of each contributor (club, federal, state and municipal). Priorities are generally set by the municipalities.

Proyectos Productivos

¶4. Juan Carlos Lepe, a local official with the Secretary of Social Development, runs the Tres Por Uno and Proyectos Productivos programs in Jalisco. He wants to increase economic opportunity in Mexico in order to stem the flow of migrants north. Proyectos Productivos focuses on micro-regions, the GOM term for the most economically isolated regions in the country. Like Tres Por Uno, for every peso contributed by a club, the federal, state and municipal governments each contribute another. Project beneficiaries also contribute a set amount based on the number in the group. For example a group with one person must contribute 12,500 pesos, a group of six must contribute 75,000 pesos. The money functions as a small business loan which is supposed to be paid back to the government. Mr. Lepe acknowledged that the GOM does not expect to get the money back and would rather see projects succeed. Participants must develop a business plan which is presented to a committee who decide which projects to fund. In Jalisco alone, the federal government will contribute up to US\$550,000 to Proyectos Productivos in 2007.

Migration in Capilla de Guadalupe - where have all the young men gone?

¶6. Capilla de Guadalupe is a town of 21,000 in northeast Jalisco. The principal of the local school told econoff that there are in fact no projects in the town because contributions go to Tepatitlan, the larger patron city in the region. He stated that 70% of his high school students are female, compared to 50% ten years ago. He lamented that young men, starting at the age of 15, migrate to the U.S. for economic opportunity.

Ancillary economic effects of Tres Por Uno and Proyectos Productivos

¶7. Tres Por Uno and Proyectos Productivos have had ancillary economic effects in the U.S. and Mexican marketplace. Media reports that in the past seven years, the average cost of sending a remittance has dropped to 3% of the total remittance.

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Costs vary widely, with rural Jalisco residents paying more as the funds transit additional agents. While the remittance market is dominated by small businesses, most large U.S. banks have begun accepting the Matricula Consular, the ID card issued by Mexican Consulates in the U.S. This could increase competition. In addition, the joint USG-GOM program "Directo a Mexico" has the ability to shift the remittance marketplace by reducing the cost of remitting. In the program each central bank charges a fee of US\$0.67 per remittance and then the bank branch charges a small fee. It effectively cuts out the myriad of middle men involved in a traditional money transfer. Business plans are required for all Proyectos Productivos. An isolated but growing number of businesses are sprouting up to support business plan development. These businesses are focused on assisting program participants from their raw ideas through the formative years of the business. The businesses provide access to accountants, subject matter experts and business consultants. The Jalisco government foots 50% of the bill for business plan development in order to cultivate opportunities for people at the margins of the program in regards to the initial investment.

Comment

¶8. Tres Por Uno appears to be a zero sum game for illegal immigration. A key flaw of the program is that it addresses infrastructure, creating short-term and unskilled jobs (construction, etc.). In addition, clean water or a new road, while necessary, do not motivate young people to stay in their towns and work when there are no jobs to be had. Proyectos Productivos appears to have more potential to stem the flow of illegal immigrants and generate long term economic opportunity. In Jalisco there appears to be a genuine desire to create economic opportunity in the most isolated regions. Success will depend on the federal, state and local governments' ability to

run the program efficiently and equitably over the long term.

MELZOW
RAMOTOWSKI